



SECTION 1

Budget Request Basics

This section describes the basic approach to, and the key elements of, the operating budget submittal.

1.1 Planning and performance drive the budget



Washington State uses performance budgeting

Strategic plans and performance measures should serve as a foundation for the budget request

Performance budgeting is the act of considering and making choices about desired outcomes. Performance budgeting focuses on the results to be gained through investment decisions. Agency strategic plans and performance measures provide a foundation for performance budgeting.

While we believe that we reach better budget decisions through the routine consideration of strategic planning elements and performance information, other important criteria, like the financial realities of revenue constraints or competing needs, must also be considered. In times of financial constraint, it is especially critical that proposals be clear, convincing, and grounded in the agency strategic plan.

The best budget proposals are persuasive not only at the agency level but within the broader statewide context that OFM, the Governor, and the Legislature must consider in making decisions. Proposals that can discuss the value and benefits of the outcomes they intend to deliver to the state will make a stronger case.

We urge agencies to review the Part I instructions for more information about how OFM expects strategic plans and performance measures to support the budget request.

1.2 Where to find fiscal context information for the 2003-05 budget

The Part I instructions and the OFM web site offer context information

The Part I instructions provided information about revenue and caseload trends as of early September 2001. Part I also discussed budget considerations related to Initiative 601 and the state debt limit. You can find updates and more detailed population, revenue, and caseload forecast information at these web sites: <http://www.wa.gov/cfc/home.htm> (Caseload Forecast Council) and <http://www.ofm.wa.gov/agencies.htm> (OFM) at the Budget and Population, Economy, and Research buttons.

1.3 How is a budget request organized?

Recommendation Summary format summarizes the budget

Budget requests are summarized in a step-table format referred to as the “Recommendation Summary.” The Recommendation Summary begins with current biennium legislative spending authority and lists significant incremental changes to arrive at the agency’s 2003-05 request. Ideally, each single line on the Recommendation Summary should represent a single budget policy decision.

Decision packages are one set of budget building blocks

The agency must describe and support each requested incremental change to the current budget with a decision package. Decision packages are the place for the agency to make a persuasive case for their requested budget changes.

The Budget Development System (BDS) assists agencies in developing the budget decision packages and produces the resulting Recommendation Summary report.

Major budget categories help to organize the request

The incremental steps in the Recommendation Summary are grouped to help OFM and legislative fiscal staff analyze certain categories of expenditure changes from the current biennium level.

Carry-forward

Carry-Forward Level – How much of the budget proposal is the biennialized cost of continuing the workload or services already authorized through legislative budget decisions? OFM, in consultation with agency and legislative staff, determines the carry-forward level and communicates the dollar amount to agencies as soon as possible after the 2002 Supplemental Budget is enacted. Section 5 discusses carry-forward calculations in more detail.

Maintenance

Maintenance Level – How much of the budget proposal is the cost of additional mandatory caseload, enrollment, inflation, and other legally unavoidable costs not contemplated in the current budget? Maintenance level changes to budgeted, nonappropriated funds are also listed in this category. Section 5 discusses this category in more detail.

Policy and performance

Policy and Performance Changes – What other expenditure change proposals are contained in the agency request budget? These options may represent significant changes in discretionary workload, the nature and scope of services, or alternative strategies and outcomes. Section 6 discusses this category in more detail.

The activity inventory provides another important set of budget building blocks



While the decision packages show the incremental changes to the agency budget, the activity inventory describes what the agency does. What are the activities of the agency? What does it cost to do each one? What is the product or result of each one? Section 2 discusses the activity inventory and its role in budget development in more detail.

Additional supporting information is needed for the request

In addition to the decision packages, Recommendation Summary report, and activity inventory, the budget submittal includes other information OFM needs to analyze the budget:

- The agency strategic plan (Part 1, Section 2),
- Agency performance measures and the Agency Recommended Performance Measures report (B-11) (Part 1, Section 2 and Part 2, Section 9),
- Agency salary, insurance, and pension base reports (Part 2, Section 7),
- Agency revenue and working capital reports (Section 8), and
- Other special reports (refer to Section 13 to see which reports apply to your agency).

Some agencies provide budget data at the program level

Although OFM reviews most recommendation summaries at the agency/decision package level, we do ask for some program detail from agencies. For those few agencies – listed below – that are appropriated at program (or lower) level, we request that program level recommendation summaries be included with initial agency requests.

- 225 Washington State Patrol
- 240 Department of Licensing
- 300 Department of Social and Health Services – program level, except the following submitted at category level:
 - Juvenile Rehabilitation
 - Mental Health
 - Developmental Disabilities
- 305 Department of Veterans Affairs
- 310 Department of Corrections
- 343 Higher Education Coordinating Board
- 350 Superintendent of Public Instruction
- 405 Department of Transportation
- 406 County Road Administration Board
- 407 Transportation Improvement Board

All other agencies need only submit the Agency Budget Levels by Program.

1.4 What are the submittal requirements?

What are the required components of the budget submittal?

The chart below shows the required components of the budget submittal and the way the material should be organized in the notebooks submitted to OFM.

For budget submittal definitions and requirements by statute, refer to RCW 43.88.020, 43.88.030, 43.88.032-060, 43.88.090, and 43.88.120.

Required Budget Submittal Components

- TAB A**
- ☐ Strategic Plan (*Part 1 Instructions*)
 - ☐ Agency Recommended Performance Measures (B11) *PMTES and BDS (Part 2 Section 9, Part 1)*
 - ☐ Agency Organization Chart

- TAB B**
- ☐ Recommendation Summary at Agency Level *BDS report (Section 3)*
 - ☐ Recommendation Summary at Program Level *BDS report (Section 3) – For only those agencies listed in Section 1.3*
 - ☐ Agency Budget Levels by Program *For all multi-program agencies-- BDS report (Section 3)*

- TAB C**
- ☐ Decision Package Summary *BDS report (Section 4)*
 - ☐ Individual Decision Packages *BDS entry form and report (Section 4)*

- TAB D**
- ☐ Agency Salary Base (B6) *BPS-1 (Section 7)*
 - ☐ Agency Insurance Base (B6-I) *BPS-1 (Section 7)*
 - ☐ Agency Pension Base (B6-P) *BPS-1 (Section 7)*
 - ☐ Agency Revenue (B9) *BDS report (Section 8)*
 - ☐ Working Capital Reserve (B9-1) *By Fund Administrators – BDS entry form and report (Section 8)*
 - ☐ Fund Summary by Fund Administrators *(Section 8)*
 - ☐ Revenue Transfer Reconciliation Statement *(Section 8)*
 - ☐ Federal Fund Estimates/State Match *OFM template (Section 13.1)*
 - ☐ Local Fund Summary (B10) *OFM template (Section 13.2)*
 - ☐ Puget Sound Water Quality Work Plan Expenditures *OFM template (Section 13.5)*
 - ☐ JLARC Audit Responses *(Section 1.5)*

- ☐ Six-Year Transportation Agency Program/Financial Plan *submit to DOT or Fund Administrator (Section 13.4)*
- ☐ Activity Inventory Update at Maintenance Level *(Section 2) submit OFM provided template electronically to Linda.Hamilton@ofm.wa.gov . No hard copy required.*

How many copies must we submit?

With the exceptions below, each agency should submit five copies of its operating budget document to OFM. Four copies must be complete sets containing both forms and narrative material. Two of these copies are retained by OFM, one is sent to the Senate Ways and Means Committee, and one is sent to the House Appropriations Committee. The fifth copy should contain only the Strategic Plan, Recommendation Summary, Agency Salary Base (B6), Agency Insurance Base (B6-I), Agency Pension Base (B6-P), Agency Recommended Performance Measure (B11) forms, and the Non-Budgeted Local Fund Summary special report.

Higher education requirements

Higher education institutions should submit two additional complete copies. OFM will forward one to the Higher Education Coordinating Board and one to the Council of Presidents' Office.

Transportation-funded agency requirements

Transportation agencies, Utilities and Transportation Commission, State Parks and Recreation Commission, Department of Agriculture, LEAP, and State Auditor should submit two additional complete copies for the House and Senate Transportation committees.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible.
- Three-hole punch all material and assemble each copy of the budget in a standard size notebook supplied by the agency.
- Organize and tab the material as shown above.

What is the submittal address?

Operations Section, Budget Division
Office of Financial Management
300 Insurance Building
Post Office Box 43113
Olympia, Washington 98504-3113

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**Other general preparation requirements****What are the rounding protocols?**

- Round all expenditure and revenue amounts to whole dollars except in the case of individual claims (legal judgments, Local Improvement District assessments, etc.) that must be reported exactly. Round fractions of dollars from \$.01 through \$.49 to the next lower whole dollar, and \$.50 through \$.99 to the next higher whole dollar.
- Omit dollar signs (\$) except where necessary to distinguish dollars from other numbers.
- Round FTE amounts to the nearest tenth.

How do we display negative numbers?

Use parenthesis to indicate numbers reflecting expenditure decreases.

Required fund code conventions for budget documents

With few exceptions, use the state accounting system coding scheme for account numbers and other designations used in the budget documents. Fund codes require both the account number and the appropriation type code that indicates the source character of the funds involved. Separate the one-digit appropriation type from the three-digit account number with a hyphen as shown in the table below.

General Fund

The following fund sources, where applicable, must be identified separately:

- 001-1** General Fund-State. Include applicable compensation adjustment allocations. Appropriation Type 1.
- 001-2** General Fund-Federal. Include applicable compensation adjustment allocations. Appropriation Type 2.
- 001-3** General Fund-Federal Unanticipated. Combine all federal unanticipated receipts and show one total. Appropriation Type 3.
- 001-4** General Fund-Governor's Emergency Allocation. (Appropriations 611 and 612) Appropriation Type 4.
- 001-5** General Fund-Other Federal Fixed Grants (DSHS and Department of Health only). Include applicable compensation adjustment allocations. Appropriation Type 5.
- 001-7** General Fund-Private/Local. Appropriation Type 7.
- 001-9** General Fund-Private/Local Unanticipated. Appropriation Type 9.
- 001-0** General Fund-Federal: Social Services Block Grant—Title XX (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type 0.

- 001-A** General Fund-Federal: Family Support/Child Welfare—Title IV (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type A.
- 001-C** General Fund-Federal: Medicaid—Title XIX. Include applicable compensation adjustment allocations. Appropriation Type C.
- 001-D** General Fund-Federal: Temporary Assistance for Needy Families (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type D.
- 001-E** General Fund-Federal: Child Care Development Funds (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type E.

Motor Vehicle Account

- 108-T** Motor Vehicle Account Bonded Projects: (DOT only). Use to identify bonded transportation projects. Appropriation Type T.

Other Appropriated Treasury Funds

Identify other appropriated treasury funds by the following appropriation types:

State:	Appropriation Type 1
Federal:	Appropriation Type 2
Federal Unanticipated:	Appropriation Type 3
Private/Local:	Appropriation Type 7
Private/Local Unanticipated:	Appropriation Type 9

Nonappropriated Funds

All nonappropriated funds, regardless of original source of funding, must use Appropriation Type 6.

Certain account numbers should not be used in agency budget submittals

Accounts 406 and 427 have been used as a means to allocate "pooled" salary, benefit, and retirement appropriations to specific agencies. These special accounts are not used for budget purposes and should not appear anywhere in the agency's budget submittal. Display related expenditures in the account that would be properly charged for the expense.

Departmental request legislation with a budget impact is due with the budget request

Departmental request legislation proposals with a budget impact must be submitted to Patsy Ellis, OFM Policy, by the budget submittal due date. More detailed instructions for submitting agency request legislation will be distributed in a letter to agency directors from the Governor's Office. These departmental request legislation proposals will be reviewed with the Governor this fall. Agencies must include decision packages for any of these proposals that have revenues or expenditures in the budget submittal.

Please ensure that other agencies potentially affected by your agency's proposed legislation are aware of the request, since OFM will need fiscal notes from each affected agency. Each agency will also need to include the fiscal impact in their budget submittal.

Report requested changes to budget program structure by May 13, 2002

If an agency is considering changing budget program or subprogram structure as part of its 2003-05 budget, the necessary justification must be submitted to OFM no later than May 13, 2002. This will allow sufficient time to obtain LEAP approval as required by the State Budgeting, Accounting, and Reporting Systems Act (RCW 43.88). Please refer to the memo regarding this request (e-mailed to agencies on April 16, 2002) on the OFM Internet Web page.

Include JLARC audit responses in the budget submittal

RCW 43.88.090(1) requires agencies to reflect consideration of applicable Joint Legislative Audit and Review Committee (JLARC) performance audit recommendations in their budget requests. Specifically,

“The estimates must reflect that the agency considered any alternatives to reduce costs or improve service delivery identified in the findings of a performance audit of the agency by the joint legislative audit and review committee. Nothing in this subsection requires performance audit findings to be published as part of the budget.”

The following agencies should include narrative in the budget request that describes the current status of audit responses to JLARC findings and recommendations issued from January 1999 through January 2002. The specific audits and studies are identified on the list found on the OFM Web page at <http://www.ofm.wa.gov/budinst03-05/part2jlarcauditfindings.pdf>.

Public Disclosure Commission
 Office of the State Treasurer
 Office of the State Auditor
 Department of Community, Trade, and Economic Development
 Department of Personnel
 Department of Revenue
 Office of Minority and Women's Business Enterprises
 Washington State Patrol
 Department of Licensing
 Department of Social and Health Services
 Department of Corrections
 Higher Education Coordinating Board
 Superintendent of Public Instruction
 Department of Ecology
 State Parks and Recreation Commission
 Interagency Committee for Outdoor Recreation
 Conservation Commission
 Department of Natural Resources
 Employment Security Department
 State Board for Community and Technical Colleges

Agencies should be prepared to provide this information to JLARC as well.

1.6 Using the Budget Development System

Use the BDS for developing budget proposals

The 2003-05 biennial budget process represents the second biennial budget process in which agencies will use the web-based Budget Development System (BDS). BDS serves as a tool for budget submittal and facilitates actual budget development.

Produces many budget reports

BDS enables agencies to develop their budget by decision package, capturing the information (narrative, expenditure, revenue and performance measure data) necessary to explain and justify the agency's request. The system also will generate many of the budget reports agencies used to have to produce separately: agency and program recommendation summaries, Agency Budget Levels by Program, Decision Package Summary, decision packages, Agency Revenues (B9), and Working Capital Reserve (B9-1).

If you would like more information or assistance in using BDS, please contact Vicki Rummig at (360) 725-5268. Training classes or self-guided tutorial lessons are also available. More information on BDS and other BASS products can be found in the BASS Library at <http://bass.ofm.wa.gov/basspr/library> (<https://services-bass.ofm.wa.gov/basspr/library> for Fortress users).

New BDS Features

OFM has made some improvements to the system for this year's work.

- The system now offers the Automated Upload Transaction Option (AUTO), allowing agencies to create decision packages outside the BDS and, once complete, upload the required data from Excel into BDS. This provides greater flexibility to agencies preferring to develop their decision packages in other software, but eliminates the need to key the budget data into two different systems. AUTO uses a prescribed tab-delimited file for upload. Specifications of this feature can be found in the BASS Library.
- Two reports in the BASS Reporting System will be available at multiple reporting levels (target June 2002): Recommendation Summary Report and the Fund and FTE Detail Report.
- Ability to develop a Multi-Year Decision Package in BDS to support the six-year transportation plan and bowwave preparation in BDS
- Improved Decision Package priority setting in BDS
- Implemented Decision Package and Version locking in BDS
- Budget reporting improvements in PMTES

The Capital Budget System continues with some improvements from the last biennial budget



The Capital Budget System also offers improvements and new features (available May 2002):

- Improved overall performance
- Eliminates CBS Form C100 and integrates Excel Form C100 summary information
- Provides support for Project ID editing and improved Project priority setting
- Improved legislative district coding